

The Gujranwala Chamber of Commerce & Industry

March 31, 2014

Subject: **Pre-Budget Suggestions by GCCI**

Dear Sir,

The Gujranwala Chamber of Commerce & Industry has conducted meeting with its members and on behalf of the members the undersigned is requesting you to please reconsider these sections for facilitation of tax payers.

INCOME TAX

Following Changes Must be in The Income Tax Ordinance 2001

1. Income Tax Rates.

Presently our industry is in crises, due to multiple factors; especially manufacturing is almost at the declining side. But FBR increased the rate of Direct Taxes. For example previously the maximum rate of Income tax was 25% but in the finance bill 2013, the Government increased such rate from 25% to 35%, which is irrational. Margins, in the business products are decreasing due to the inflation and increase in the cost of inputs. Hence, it is requested that the maximum rate on the Corporate as well as on Non Corporate should be 20%. Such relaxation will encourage the taxpayers to pay their due taxes and it will also discourage the tax avoidance.

2. Withholding Tax Agents

Previously , the companies and those taxpayers whose annual turnover were more than Rs. 50 million , were the withholding tax agents, but in the finance bill 2013, every sales tax registered person was included in the category of withholding tax agent. There should be a threshold , because this amendment created many problems for the SME's sector. It is further requested that direct taxes should be collected in the Direct Way, and indirect taxes should be collected in the indirect way. The cost of the production for the end consumer would go high when direct taxes are collected in the indirect way. And further withholding tax rates should be rationalized, these should be low. Because some

businesses are buying their goods from the un-organized sector, hence they are paying all deductions from their own pockets instead of collecting from their suppliers. The industries which are badly hit due to this clause are as follows:

Steel Sector

Paper & Board Mills

Soap Manufacturers

In this finance Bill, The FBR introduced more taxes as a withholding tax agent at the customer end. i.e. collection at the time of sale e.g. 236 G. This creating additional burden on those persons who are already in the tax net.

3. Problems in Refund and Exemptions Certificate

The Government should encourage to the corporate sector, because such sector is the helping hands of the FBR, in collecting and paying taxes. But unlucky this sector is also facing severe problems, especially in getting exemptions certificates. The department is very reluctant to issue exemption certificates to such sectors under section 153 and 148. Resultantly their working capital is built in refundable taxes. But unluckily FBR is very much reluctant to issue refund to this sector.

4. Section 113 – Rate of Minimum Tax:

The proposed bill enhances the rate from 0.5% to 1%. It should be 0.5% because the industry is facing many problems like energy crises, inflation etc. It will be additional burden on the industry.

5. Tax under section 236D and PRA sales tax

In the Finance bill 2013, the Govt. has introduced a series of advance taxes as withholding tax. E.g. at the same time 16% sales tax is applicable for the wedding halls, hotels for arranging functions and similarly 10% income tax is also the responsibility of the wedding halls to collect from the customer on the gross bill. It increased 25% burden on the consumer at the same time which is irrational. Such rate should be rational and it should not be more than 5%. It is further requested that the FBR should further amend the Circular 10 /2013, specially for those wedding halls who are only providing hall services for the customers, and where the customers have arranged their own food. Presently, such circular state that such 10% tax should be collected from the customer, even the customer has arranged his own food. Because, the price of such food cannot be

determined, hence it is requested that please such levy should be only up to the arrangement of wedding halls only.

6. Filing of Statements U/S 165 & 149

Presently the due date of filing of Income tax Statements under the above sections is due on 15th, of every month, similarly the due date for filing of sales tax return is also 15th, of every month. It is big burden on the taxpayer to file both at the same date and time. It is requested that the date for the filing of the Statements under section 165 and 149 should be shifted to 25th of every month for smooth working.

7. Revision of Income Tax Return up to the Tax year 2013.

Previously , the taxpayer may revise his return at any time within 5 years. But in this finance bill, for the revision of income tax return, the taxpayer must get permission from the commissioner, we humbly request that such change should be prospective, i.e. it should be applicable from the tax year 2014 onwards.

Sales Tax :

1. Sales Tax Rate

General sales tax rates are also high ,the rate of GST should be low it should not be more than 15%. It is further requested that Govt, should also introduce a model of turnover tax as an optional , e.g. those taxpayers who want to avoid from the input tax problems which are very severe in these days due to the crest system, and its rate should not be more than 3%.

2. Withholding Tax Agents

The concept of withholding tax agent for those taxpayers who are already in the tax network is beyond of understanding. E.g 1/5th, of GST, from the supplier side is creating hurdles and additional effort in paper working and also confusing to everyone. E.g 1/5th, of GST, from the supplier side is creating hurdles and additional effort in paper working and also confusing to everyone. No, any additional revenue FBR can get by the insertion of this concept. This provision should be deleted.

3. Procedure of Registration/changes in Particulars /De-registration

The procedure of sales tax registration is very lengthy even more than 3 months are getting by the department for the registration of newly person. Similarly, for the change of particulars, it is also lengthy as well as difficult process. Thousands of applications are pending before the FBR on which no decision was taken by the department. Due to this, the registered persons who apply for the changes are badly disturbed. The changes in the particulars should be tackled at RTO level.

4. De-Registration

The same problem i.e time consuming are facing for the de-registration of the units. Even there are application in which more than 5 years has been passed, but no any exercise have been conducted on such applications. Thousands of applications are pending before the FBR, waiting for the decision. We further suggest , whenever a Registered person applied for the de-registration , its registration should be blocked immediately , because most of the crest issues are related to these persons, because fraudulent activities were made in the name of these persons through hacking of pin code and password, which resulted a big loss to the FBR.

5. **Help Desk of PRAL.**

At each RTO, office there should be help desk of PRAL, so the taxpayers may easily get information for solving their problems. Presently, taxpayers make a call at the FBR helpline, which is busy most of the time and further, a time consuming process and even they can't bother to the queries properly.

6. **Clarification regarding the Confusions.**

Many problems are facing, when there should be a need of clarification at the end of the FBR, but it is not so, E.g. the deduction of Sales Tax under the SRO 98/2013 should be clarified, i.e. when such tax should be deducted i.e. either it should be deducted in the month of purchase or it should be, when the payment is made to supplier. Many letters regarding this confusion were written to the FBR. But FBR is still silent about this issue. But the department is issuing letter to the taxpayers and passing assessment orders accordingly.

7. **Objections "Supply Chains"** have been raised by CREST mostly in those refund claims where purchases made from Commercial Importers are void, baseless and against the facts. Commercial Importers are importing goods from abroad and discharging their Sales Tax liabilities at port. These objections have not been deleted till now despite of recently decision passed by High Court for deletion of section 8(1)(C) of Sales Tax Act, 1990. Sales Tax refund through ERS is full of technical errors and not accounted for Sales Tax carry forwards. Any correction made in CREST system is not properly entertained by department. The genuine tax payer is blacklisted due to any small discrepancy and his whole previous data is also blocked which is against the natural law of justice.

8. **Revision of sales tax return/condonation:**

Approval for filing of revised return and condonation of delay for filing of refund claims are very lengthy process resulting to time barred 120 days and loss of revenue.
Revision of return allowed without permission.

9. Section 40 C of Sales Tax Act 1990

It should be withdrawn. It is creating harassment among the business community privacy of the premises will be disturbed which is against the Islamic Law.

10. Sales tax refunds/income tax refunds have been blocked since Feb 2013. Due to this reason refund claimants are facing huge business losses.

11. Register those persons who qualify for Sales tax registration and may focus on broadening the tax base and complete the chain.

Wealth Statement: www.imranghazi.com/mtba

1. Section 116 – Wealth Statement

At present a wealth statement will be filed by an individual if his income is more than Rs. 1. Million per annum but the Finance Act, 2013 made it mandatory for every individual which will not be feasible for the small enterprises. It is suggested that it should be withdrawn and previous status should be revived.

2. According to income support levy Act 2013 :

Income support has been levied on person whose net moveable wealth exceeds Rs. 1 million as per wealth statement and levy of 0.5% is payable for every tax year commencing from tax year 2013 to onwards.

This should immediately be withdrawn. It will cause to fly of capital from country and opportunity of investment will be diminished.

II) Working capital should be excluded / exempted for the calculation of levy.

Bank Schedule:

As exporters we would like to bring to your notice that 5 days working for Pakistani banks have proved disadvantageous results. For example export documents submitted on Friday reaches main branch on Saturday who dispatch them on Monday and hence unnecessarily 3 days are lost

in routine procedure despite the routine worldwide procedure is becoming fast day by day. As a result it brings us a substantial loss. We can meet the challenge by withdrawing the bank holiday on Saturday.

All above mentioned submissions may very kindly be accepted and necessary order be passed in this connection at your earliest to facilitate the business community and to further flourishing to their businesses.

Yours sincerely

NOUMAN SALAHUDDIN

PRESIDENT

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